

151110Z Dec 05

C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 006191

SIPDIS

E.O. 12958: DECL: 12/15/2015

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SUBJECT: BUSINESS NERVOUS, BUT NOT HURT, BY JMB ATTACKS

Classified By: Econ Chief David Renz; reason 1.4(d)

**¶11. (C)** Summary: The business community in Bangladesh is thus far unaffected by increasing violence by the JMB. Business leaders are concerned, however, that escalating violence will at some point begin to take its toll, yet they are reluctant to press aggressively for government action. A high-profile attack on a commercial or diplomatic target could significantly affect commercial interests and impact the broader economy. End summary.

**¶12. (U)** Jamaat'ul Mujihedin Bangladesh's (JMB) escalating campaign of violence over the last four months has rattled Bangladesh's business community, but has yet to have any economic impact on their businesses. EconOff spoke with a cross section of business leaders during the week of December 11th to gauge their reactions to the ongoing attacks. While all expressed concern with the growing violence, none identified any discernable impact to their business operations.

**¶13. (U)** There are anecdotal stories of businesses needing to reassure international contacts about the safety of traveling to Bangladesh for business meetings. These reports are consistent with similar stories following other violent acts in Bangladesh that have attracted international media attention, and are not indicative of any heightened concern by the international business community.

**¶14. (U)** To the contrary, the general manager of the Sheraton reports his hotel is fully booked, as are most of the hotels frequented by western businessmen in Dhaka. This is a key indicator of continuing business confidence in Bangladesh because it is largely the result of international buyers visiting Bangladesh to place orders for the Spring and Summer clothing collections, which typically occurs annually from mid-October through mid December.

**¶15. (U)** The business community also took comfort from the opening of two major trade exhibitions without incident. The month-long Dhaka International Trade Fair opened December 10 and includes exhibitors from 13 countries. A few days later, the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) launched its second annual exposition.

**¶16. (U)** EconOff spoke with numerous exhibitors at both events about their reaction to the JMB attacks. Most expressed dismay over the violence, yet EconOff also perceived an unspoken sense of resignation to this new level of violence in the country. A common refrain was the belief that the BNP led government could quickly put an end to the violence and control the JMB, if it wanted to do so. Many speculated about alliance partner Jamaat Islami's possible ties to JMB. None, however, thought that their commercial interests had suffered in any way from the recent violence.

**¶17. (C)** Business leaders are concerned about the potential impact a further escalation of violence might have on their business interests. According to BKMEA President Fazlul Hoque, Bangladesh's ready-made garment sector has continued to thrive following the end of quotas under the multi-fiber arrangement in part because of the country's reputation for relative stability and as a moderate Muslim democracy. He noted that the industry got its start in part because buyers shifted their sourcing away from Sri Lanka due to political violence in that country. Although he does not see an immediate threat to Bangladesh's industry, he recognizes that a loss of confidence by international buyers could significantly affect the industry. Once lost, Bangladesh would be hard pressed to regain buyer's trust and confidence.

**¶18. (C)** Mamun Rashid, CEO of Citibank in Bangladesh, expressed similar concerns during a December 12 meeting with Charge d'Affairs and EconOff. He described Citibank's color-code system for rating country risk, saying Bangladesh remained at the most favorable "green" level. As violence continues, however, Bangladesh could be downgraded, causing Citibank to reduce the number and range of services it offers and undermining plans to expand its operations in Bangladesh.

**¶19. (C)** Rashid expressed particular concern about the risks to Citibank if JMB continues to escalate its attacks. In part, this reflects Citibank's exposure as a high profile

U.S. company, making it an attractive choice for a "western" target. Rashid is also concerned, however, that Citibank's active involvement in supporting development in Bangladesh's rural communities, especially its micro-credit lending activities for rural women, puts it and the participants in its programs at greater risk of attacks from JMB or other religious fundamentalists. Rashid is reviewing the company's security posture in response to the recent JMB attacks, but does not plan to reduce the company's commercial activities at this time.

¶10. C) Like other business leaders, Rashid expressed little confidence in the government's response thus far to JMB violence. He too attributed this to lack of political will stemming from a myopic focus on securing reelection or, failing that, denying success to the opposition Awami League.

The BNP is still in denial, said Rashid, and is convinced that "outside forces" are driving the JMB.

¶11. (C) Yet Rashid and other business leaders are hesitant to openly confront the government. The poisonous relationship between the BNP and AL, and the "the two ladies" in particular, leaves the business community caught in the middle, reluctant to take any actions that might align them with either party. As a result, there was little substance to PM Zia's meeting on December 11 with leaders of the major chambers of commerce and trade associations to discuss a response to the JMB attacks. According to Haque, the business people present did not want to risk a confrontation, and so limited their remarks to urging the government to take stronger action to prevent further violence.

¶12. (C) Comment: One hallmark of business in Bangladesh is its ability to adapt to changing circumstances in a difficult political and commercial environment. In one sense, JMB's attacks simply add another dimension to the established background of political violence against which businesses already operate. As such, those attacks have caused little, if any, disruption. But flexible does not mean unbreakable; indeed, the shift could occur suddenly. An attack on a major commercial interest, such as the mega-mall Bashundara Center, or on western diplomatic or commercial interests could fundamentally alter the calculus of doing business in Bangladesh, with visible repercussions for the economy of Bangladesh. End comment.

CHAMMAS